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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY
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RUEHBJ/AMEMBASSY BEIJING PRIORITY 1396
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RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0281
RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0086
RUEHIT/AMCONSUL ISTANBUL PRIORITY 1832
RUEKJCS/JOINT STAFF WASHDC PRIORITY
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RUEKJCS/SECDEF WASHDC PRIORITY
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STATE FOR SCA/CEN, EEB
PLEASE PASS TO USTDA DAN STEIN
COMMERCE FOR HUEPER
ENERGY FOR EKIMOFF

E.O. 12958: N/A

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SUBJECT: TURKMENISTAN'S GAS CONFERENCE AND EXHIBITION FAILS TO
ATTRACT MAJOR INTEREST

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: Acting on President Berdimuhamedov's instruction to have more exhibitions, Turkmenistani state petroleum agencies decided to hold three separate events in 2008 -- on gas, on oil, and one comprehensive exhibition and conference. The first of these events -- the "Exploration and Development of Turkmenistan's Gas Fields and Mineral Resources International Conference and Exhibition" -- was March 27-29. According to Turkmenistani media sources, the exhibition and conference brought over 50 foreign companies. However, the event's organization, scale, and content paled beside last year's Turkmenistan International Oil and Gas Exhibition (TIOGE). END SUMMARY.

THE ORGANIZERS

13. (SBU) The first of three separate oil and gas exhibitions in 2008, the "Exploration and Development of Turkmenistan's Gas Fields and Mineral Resources International Conference and Exhibition," was held March 27-29. (The other two exhibitions will be a comprehensive one that includes a conference, and one specifically dedicated to oil issues.) The conference and exhibition were organized by Turkmengaz, Turkmenneftegazstroy, Turkmengeologiya, the Chamber of Commerce and Industry of Turkmenistan and Russian Petroleum Investor (RPI). RPI had been Turkmenistan's petroleum events organizer until last year, when the UK's ITE was awarded the contract. Many participants shared a view that the choice of the organizer was not successful. The event itself was poorly advertised, and invitations went out only a few weeks in advance. A number of companies, including major oil firms, could not participate since they did not have adequate advance notice. (NOTE: A representative of ExxonMobil told the Charge that it normally takes at least six months to import trade show booths. END NOTE.)

THE PARTICIPANTS

¶4. (SBU) The exhibition hall was visibly less full than during the 2007 Turkmenistan International Oil and Gas Exhibition (TIOGE), occupying only one floor. (The Exhibition Hall's ground floor only had a non-trade automobile exhibit.) Due to the short notice, only Turkmenistan's traditional partners -- Mitro, Burren, Dragon, Wintershall/Maersk, CNPC and its subsidiaries, Gazprom, and Itera -- had displays. Russian companies -- mostly in the construction machinery sector -- had a strong presence. Petronas, which currently is undergoing an internal audit due to the departure of its former country manager, did not participate. Of the majors, only France's TOTAL exhibited -- and only paired with the French construction company, Bouygues, which is active in Turkmenistan. ExxonMobil and Shell had pamphlet exhibits next to the conference hall a level above the regular exhibition area. U.S. exhibitors included Zeppelin/Caterpillar and Western Geco, both of which maintain a presence in Turkmenistan.

¶5. (SBU) Conference attendance was little better and was largely Russian in nature. By the afternoon of March 28th, the few western representatives attending the event had largely chosen to pursue other activities, leaving the conference hall so empty that the organizers decided to bus in students to help fill seats.

GOVERNMENT SPEAKERS

¶6. (SBU) The conference sessions did little to inspire interest. While the topics were potentially interesting -- -- there were presentations on geological and geophysical exploration, reservoir modeling, exploration drilling, advanced technology and equipment for deep drilling and production -- most presenters, particularly those from companies hoping to do business in Turkmenistan, sought to play their cards very close to their vests. Their presentations

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were very general and promotional in nature, and many concentrated solely on the value to Turkmenistan of their companies' technologies. No presentations provided overviews of companies' current operations or future plans.

¶7. (SBU) The speeches by the Minister of Oil and Gas and Mineral Resources, Baymurad Hojammedov, and Executive Director of the State Agency for the Management and Use of Hydrocarbon Resources, Byrammurad Muradov, were the most anticipated and heavily attended. Executive Director Muradov gave an overview of the investment framework and export opportunities in Turkmenistan, echoing President Berdimuhamedov's statement last May that the Trans-Caspian pipeline is "still not off the agenda." He also reiterated Turkmenistan's desire to adopt a UN resolution on energy pipeline security, and indicated that the PSA mechanism will remain the main vehicle for developing the country's Caspian oil and gas resources. Without referring specifically to the Caspian offshore blocks, he specifically said that he does not see any adequate alternatives to the PSA arrangement in cooperating with large international companies in long-term, high-cost oil and gas projects.

¶8. (SBU) Minister Hojammedov said Turkmenistan "for now" is only interested in having foreign companies work onshore under service contracts, suggesting that in the future Turkmenistan might consider onshore agreements that go beyond service contracts. The Minister explained that the onshore PSA with the China National Petroleum Corporation (CNPC) was awarded in 2007 in connection with the gas pipeline to China. The Bagtiyarlik license territory, he said, was identified as the source of gas supply for the pipeline.

¶9. (SBU) Minister Hojammedov repeated his Government's estimates of petroleum resources - 45 billion tons of oil equivalent, including 27 billion tons onshore and 18 billion tons offshore. Neither he nor any other speaker indicated whether the audit of the Yoloten-Osman group of fields has begun.

¶10. (SBU) COMMENT: After the very successful TIOGE 2007, the gas conference came off as a disappointing second-rate event. This was evident from both the scope of participants and the content. Companies not present in the country used the event as an

opportunity to visit and have additional discussions with the Government. Those already operating in Turkmenistan saw little value in participating. The Government of Turkmenistan continues to use international fora to illustrate that its policies are successful and supported by the international community. Yet, because of the way the conference was structured and the abysmal organization, this event did little to burnish Turkmenistan's prestige as a new Central Asian hydrocarbon center. END COMMENT.

HOAGLAND